

U.S. SMALL BUSINESS ADMINISTRATION

Office of the National Ombudsman

Regulatory Fairness Hearing

Austin, TX

January 22, 2008

PROCEEDINGS

[START TAPE 1 SIDE A]

PAMELA SAPIA: If you will, please stand when I mention your name so that the audience will be able to see who you are. Members from the Regulatory Fairness Hearing Board, today we have Grant Humphreys, who is the Chair, and James Graham. With the City of Austin, we have Rosie Jalifi, who is the Assistant Director, Economic Growth and Redevelopment Services Office; Council Member, Jennifer Kim, who I don't believe is quite here yet. With the Small Business Administration Resource Partners, we have the South-West Texas Border Network/Institute of Economic Development, Mary Peters and Frances Riojas. We have Ron Hash, Texas State University, San Marcos. Pete Carvell, District Director for SCORE. City of San Antonio, Renee Watson. Federal agencies that are represented today are Wage and Hour Division, U.S. Department of Labor, Martin Borrow Sr., Acting District Director, San Antonio; Cynthia Ramos, Assistant District Director, San Antonio; Randall O'Neal, Regional Director of Enforcement, in Dallas. U.S. Customs and Border Protection, Internal Revenue Service, Henry Martinez; Margie Harrell, Tax Advocate Group Manager. The Environmental Protection Agency, Melissa Marshall, Washington, D.C. Office of the Governor, we have Robert Melvin, Small Business Development, Office of Governor, Economic Development and Tourism; Shannon Cantrell, South-Texas Region Representative, Office of the Governor. Congressional Representatives, Lucio Glenn, Office of Congressman Reyes; Martin Lujan, Chief of Staff for Representative Pete Gallegos; Morgan McFall, U.S. Representative Lamar Smith; Thomas Brown, Constituent Liaison, Congressman McCaul. Thank you very much. At this time, Rosie Jalifi, of the city would like to make just a few short announcements.

MS. JALIFI: Good morning. My name is Rosie Jalifi and I am the Assistant Director for the Economic Growth and Redevelopment Services, formerly the Small Business Administrator. So these small business issues are really important to the City of Austin 'cause small business is big business in Austin. For those of you who are guests, first time to our City Hall, I welcome you to our City Hall. It is a beautiful facility to hold these kinds of meetings. If you have a parking ticket to validate for the garage; after this meeting if you go to the city clerk's office, which is kati-corner to where we are; it's across the hall behind wooden doors. One of the staff members there will stamp or validate your parking ticket. Thank you, and again, welcome.

MS. SAPIA: Thank you very much. At this time I would like for Lucy Salinas to come forward. She has worked very closely with a couple of individuals and we would like to do a little short presentation.

MS. SALINAS: Thank you, Pam. I'd like to introduce Cindy

Garcia. Cindy is with the City of Austin and she was very instrumental, or has been instrumental, in making sure that we obtained this beautiful venue. And she helped me identify some of the resources and helped me get the word out, so I really want to thank Cindy. Congratulations for helping me and helping the Small Business Administration, and all who are here. So if you wouldn't mind coming down. This is just a small token from SBA; it's a Certificate of Appreciation. One other person I do want to recognize is John Regalado. He's with Communications and Technology Management Team. He and his team actually worked diligently with me in making sure that this room was set up and everything was working properly. So we shouldn't have any quirks, here. Brandon, thank you very much. John, if you wouldn't mind coming up, I want to thank you. Would you step away? Brandon, do you want to come up for him. Brandon is part of his team and they worked very hard. Thank you very much Brandon and I appreciate all the help. Thank you. Thank you, Pam.

MS. SAPIA: Thank you, very much. At this time, let me go over some of the rules that we will need to follow during this hearing. Each person to testify will be called upon by Ombudsman Owens. Each person testifying will have five-minutes to present the testimony. When you go up to the podium, there will be a timer that you will be able to see from the podium, so please adhere to your five-minutes. No one from the audience may participate in your testimony. No interruptions, comments, or questions are allowed from the audience during the testimonies. Should you consider testifying and have not registered, you will have an opportunity to do so after all the testimonies have been heard. Please wait until Ombudsman Owens opens the floor for additional testimonies. Once the floor is open, please raise your hand and remain seated and Lucy Salinas will be taking your names to testify. You'll be required to complete a consent form and provide it to Ms. Salinas. Those in the audience, please mute your phones and any other electronic devices that you may have. And for those that are calling in on our 800 number, please go ahead and mute your phones as well and do not put your phones on hold, as it will beep throughout the testimony. Thank you very much. At this time I would like to introduce to you, Nicholas Owens. On March 28th, 2006, President Bush appointed Mr. Owens as the Fifth National Ombudsman for the U.S. Small Business Administration. He also serves as the Assistant Administrator for Regulatory Enforcement Fairness. Regulatory reform is an integral part of President Bush's small business agenda. The president believes that in addition to lower taxes, access to government contracts, affordable, high-quality healthcare, and clear, sensible regulations are essential for long-term success of America's 25 million small businesses. Mr. Owens' responsibilities include leading the national effort on behalf of the nation's small business, to ensure fairness in the enforcement of federal regulations, and initiatives to diminish disputes between small business and the Federal Regulatory

Agencies. The SBA's Office of National Ombudsman was created by congress in 1996, as part of the Small Business Regulatory Enforcement Fairness Act. The National Ombudsman is empowered to receive, substantiate, and report to congress, complaints and comments from small business owners regarding regulatory enforcement actions taken against small businesses by federal agencies. Also, the National Ombudsman's Office works with ten regional fairness boards, whose membership is drawn from 50 small business owners from across the country. The National Ombudsman's Office works closely with more than 35 federal regulatory agencies to resolve complaints about excessive enforcement of federal regulations brought to the attention of the National Ombudsman, during hearings and roundtables held in cities nationwide. Before joining the Bush Administration, in 2001, Mr. Owens served as part of the Bush-Cheney 2000 Presidential Transition Team. Having served five-years as a Special Assistant to the Chairman and the Director of External Affairs at the National Credit Union Administration, he understands first hand, the regulatory challenges faced by small businesses. In this position, he served as a Senior Advisor on Communications, Congressional, and Regulatory Policy matters. A native of Mississippi, Mr. Owens began as a young entrepreneur in the media business, eventually leading him, in 1996, to found Nicom [phonetic] Group, a Public Affairs Communication and Government Relations Firm. An ABC Television network affiliate featured Mr. Owens as a great Mississippian for the next generation. His clients included national healthcare companies, Internet technology companies, and financial institutions. In 2000 he was named Vice-President of Sales and Marketing for Nashville-based Healthcare, Technology and Solutions Corporation. Mr. Owens became politically active in 1988, where he served as a coordinator for the U.S. Senator Trent Lott's first Senate campaign. He has also worked on campaigns of U.S. Senator Thad Cochran and most recently, President George W. Bush. In his home state, Mississippi, Governor Haley Barbour, in 1994, served as part of Mississippi Governor Kirk Fordice's Team Mississippi, a legislative grass-roots initiative. Mr. Owens possess an extensive background in local, state, and national charitable and community services. Please help me welcome, Mr. Owens.

MR. OWENS: Thank you. Thank you. Speaking of rules, here a short while ago for our forum, and pagers being muted and everything; we're here for regulatory fairness. I don't know how fair you think all those rules are we have established, but the next rule I'm going to put in place is that long biography that I've got to shorten. But thank you so much. It is wonderful to be in Austin, Texas. Being from Mississippi, I always appreciate coming back down south, if you will. I left last night where there's snow and there's ice, and here there's a little humidity and it's wet and rainy, but yet, I like it. So it's wonderful to be here. Great City Hall; terrific facility, here. Thank you, Rosie, and please provide our appreciation to the mayor and the

city officials. We certainly appreciate our SCORE representative being here. Great work that SCORE does throughout the community, to help mentor small business and navigate them, often through the challenges that they face in small business development, so we appreciate that. Thank you all. I can tell you as I surveyed the current entrepreneurial and small business climate, I can truly say there's never been a more exciting time to be a part of American's small businesses. As the National Ombudsman, I'm always thrilled to have the opportunity to meet small business owners, to visit communities across America where I can learn first-hand, again, the challenges that you're facing every day in today's ever changing and dynamic marketplace. The state of America's 26.5 million has increased since that biography, but 26.5 million small businesses has never been stronger before, representing 99.7% of all businesses in the country. And it's every day, because of the leadership of small business owners who are represented here today, associations here, congressional staff, the work that you do, that small businesses are continuing to grow, that we're seeing more growth in our economy, and will continue to do so because of small business and the jobs they create. In Texas, you have over 2 million small businesses representing 98.7% of all businesses. We often talk about opportunity of success, succeeding, but we also know you're faced with challenges, and that's regulatory and compliance challenges. The ingenuity of any small business owner did not come from any of us in this room, did not come from the federal government, it came from the hard work of each one of you and of course, small businesses throughout the country. President Bush says many times that the role of government is not to create wealth; the role of government is to create an environment where the entrepreneurial spirit can flourish; we can risk capital and we can achieve the American dream. But we also know that to achieve that we have to have a level playing field. Be it in contracting, be it in government enforcement, regulatory enforcement, we must have a level playing field, and regulations should be effective and not excessive. So it is an honor for me to work in an area that sometimes we find the gotcha attitude, in the federal government. President Bush's policies have been focused on streamlining regulations, recognizing small business owners cannot operate effectively where rules are--you can't understand them. There's plain language issues; even more so when you're faced with repetitive investigations, unnecessary rules, or repetitive audits, excessive penalties and fines, and retaliation concerns. In our office, the Office of the National Ombudsman, our job is to help save small business owners money. To help you put more of your hard-earned money in your pocket and keep it there. Unfair regulations and the unfair enforcement regulations cost small business owners two of the most precious commodities, and of course, that's their time and their money. \$250 million has been saved through our office and the work of our office on behalf of small businesses; through ending the extensive cost of regulations or the unintended impact of

rules that are being promulgated or perhaps, that are being enforced. According to SBA's Office of Advocacy, small business owners spend approximately \$7,600 per year, per employee; that's compared to our larger firm, let's say, of 500 employees or more. And it's often because they don't have super lobbyists, consultants to assist them with their issues. Small businesses pay 45% more than a larger company, 4.5 times percent more for environmental compliance, 67% more on tax compliance. So certainly, we recognize that small businesses need a more level playing field, we need more fairness in the government marketplace. Small businesses can better spend the money to expand their infrastructure of the business; they can save for future retirement, to grow their business, to market their business. So we want to continue to work on behalf of small businesses and recognizing that the money that they're making is better used in the local communities. Ultimately, what do we do in the Office of the National Ombudsman? I have the longest title in the agency. The National Ombudsman Assistant Administrator for Regulatory Enforcement Fairness, and all that means is troubleshooter. And that's what we seek to do. We liaison on behalf of small business throughout the federal government, basically with the SBA, but if you have an issue with the IRS, with the EPA, The Department of Commerce, it could be the Labor Department; we can assist you with these issues. We also assist small government entities, population 50,000 and less, and non-profit organizations. We seek a high-level review to seek fairness of an enforcement action by that federal agency. It's not an issue of just going to that inspector or that investigator, but a high-level review to ensure fairness of that action. If there is an issue that may not relate to regulatory enforcement, which may be outside the purview of our office, we do work closely with the Office of Advocacy, which addresses issues that are proposed and addresses the regulatory flexibility aspects of these regulations. For a little history, congress created the office, as you mentioned, Pam, and ten regional regulatory fairness boards, which we're pleased to have Grant from Oklahoma, Jim from Dallas, we have another board member from the Austin area, who unfortunately is traveling this week and cannot be with us. But they're the eyes and ears and the heartbeat of what regulatory fairness is all about. They are accessible and certainly want to hear from the small business owners about concerns that you have. We hold about 20 hearings a year, throughout the country. It's important to get outside the bubble of Washington, D.C. to listen, learn from, and better understand the concerns of small business owners. One important aspect is accountability, and that's accountability to the United States Congress. We work closely with your congressional delegation, with your two senators, and with the governor, on issues of small business. We report annually to congress and rate federal agencies, A to F, on their responsiveness to small business concerns. Are they providing adequate compliance assistance resources? Are they informing small

business about their rights under the SBREFA rights, under the Small Business Regulatory Enforcement Fairness Act? I'm energized by the success we've been able to realize. We can't fix all the problems. I'll be the first one to say, we're here from the government and we're here to help you. Well, on one side we are, but on the other we can't promise the world. We always say we give 100% of our effort to work on a case but we don't guarantee 100% of the results in the way that you may want them. I will give you a few examples of cases to give you a variety of what we deal with. In Washington State there were three grocers that testified in a hearing similar to this, that the USDA had disqualified them from the Food Stamp Program, alleging fraud. Well, the small business owners felt that they did not commit fraud, that that was not true. It was going to hurt their business; they were going to cease their operation, ultimately because of the demographics of the local community. They worked for their office, we liaised with the USDA and it was determined that the agency made a mistake and they overturned that; they reversed that decision. There are other issues, of course; if you travel around Austin there are certain streets here that may have some good music and brewpub or an establishment. In Illinois there was a brewpub that the small business owner had a dispute with the Department of Labor's Wage and Hour Division, alleging that their brew master should be hourly and not salaried. Well, that was a business decision with that local small business. They spent over \$7,000 in dispute with the Department of Labor. They contacted our office and we were able to seek an equitable settlement in that case. There are other issues where a Georgia shipping company was fined \$2,000 for an alleged customs enforcement, import-export regulation. That was an issue that was determined that the federal agency made a mistake, and again, that was an inadvertent error by the federal agency. It may not be an instance of regulatory enforcement. It may be you're trying to reach a certain person regarding a contract, regarding an application before the government. We want to help you. I could tell you--I navigate--and I know Tom Hicks, here, from the Department of Labor--trying to reach someone through the federal bureaucratic voice mail system can be a challenge. But we want to help you so there's no issue too small or too big that we will not want to assist you. So with that, I want to certainly turn it over to Chairman Humphreys so we can begin our hearing today. Thank you.

MR. HUMPHREYS: Thank you, Nick. I just want to introduce us and just give you a little bit more information about us. As volunteer members of the Regulatory Fairness Board, we're full time entrepreneurs, small business owners ourselves. For the last seven-years, I've had a company up in Oklahoma City, started with one, worked out of the home and grew it up to 22 employees; sold that last year and have now built up a company up to six. And so we're very

familiar with the day-to-day challenges from the perspective of the small business owner, 'cause that's what we continue to do, more than full time. And so as a small business owner yourself, with your concerns that you need to relate, to find a voice to argue your position or to look for a fair and reasonable settlement between you and 35 different federal agencies, it can seem daunting to approach the federal government. In your handout today, there's information on the members for Region VI Regulatory Fairness Board. In that information is our personal, direct telephone numbers where you can contact myself, Jim, or the other two members on the board. This is a way for you as a small business owner to call another small business owner and to find a conduit into the federal process. So it's from one to another just a [inaudible] relationship. So we want to be open, available to you, put ourselves out there. And I think it's a very inviting process and we'll help you navigate the waters as best as we know how and at least give your voice a chance to be heard in a way that's very inviting. So we're glad to be here today. We've got several people who have testimony that they'd like to provide. The first -- and we'll get into it now. The first being Gladys House, with the Black Contractors and Business Owners, speaking on the SBA and NASA in her first testimony; secondly, with the Department of Housing and Urban Development. Mrs. House, if you want to approach the front and we'll take you right over here to the podium. Thank you for coming today, we're glad to have you.

MS. HOUSE: I have a document Mr. Chair, to enter in the record. Do I just hand it to you now? Again, my name is Gladys House and I'm speaking her on behalf of the Black Contractors and Business Owners Association of Houston, Texas, as well as the historic Feedman's Town Community and Freedman's Town, a section of Houston Texas. I will commence testimony now regarding the SBA and NASA. I have a handout in the document that was presented that goes into more detail regarding our concerns. But briefly, we're just concerned, as black contractors in Houston that the SBA more or less conspires with NASA and NASA's primed to exclude black contractors from the contracting award process. I had embarked on trying to have an investigation done by the Office of Inspector General, however, nothing came of it so I filed another complaint last year, just outraged that the statistics just really ranked pretty poorly on behalf of black contractors and businesses receiving contracts and doing business with the State of Texas as well as the local governments in Houston. And it's no secret, especially when NASA has received an F- for seven straight years, we're now going into the eighth-year as a result of it's record of awarding contracts to black contractors in the Houston and Greater Houston and Clear Lake Area. The -- can someone let me know when I'm halfway through? Okay. Well I'd better get on to testimony No. 2, which is Department of Housing and Urban Development. I'm sorry. [Technical direction]. So we're just really

concerned that SBA, at breakfast meetings once a month, how they violate our rights, we cannot speak. We've raised questions, especially when the guests are NASA or some of NASA's primes. It's just hopelessness. And the 101, when you go to these seminars throughout Houston, it's all just a waste of our time if you're a black contractor, because you don't get the contracts. And the state has blood on its hands, also, so to speak, with all of the fees that are required, even before you can get a contract with the state. You have to join this, be registered with that, and there are always fees attached. And we're also working with the State of Texas to try and change that. We had appeared before its board, December 14 of last year but no one was in the room. Anyway, we are just doing what we can and it's unfortunate to hear, in the introduction this morning, that because small businesses don't have the competitive lobbyists to represent them, that we have to pay more out-of-pocket for this and that in compliance with various enforcement laws. And that really needs to change. And then you're being volunteers too, no wonder not more progress has been made. This is not a slight on you all but we really need to do all we can to try to convince the federal government to change its practices and policies, 'cause they really aren't fair. Okay. Now on to testimony No. 2. The U.S. Department of Housing and Urban Development. There's a great deal of housing fraud going on in Houston with the so-called Affordable Home Ownership Program. We've taken all of the documentation to the attention of banks as well as HUD, Houston Regional Offices. No one cares to do anything. The Hope Six Memorandum of Understanding, that was an agreement structured by Housing Authority, HUD, and the residents of Allen Parkway Village, it is totally in violation. It's not being complied with. Residents are excluded from the empowerment process; they're terrorized, not given any due process or prior notice of meetings, or to make changes at their units. It's like a prison there, in Allen Parkway Village. There are no contracts awarded although we were promised, and the Hope Six Memorandum of Understanding says that we, the businesses and tenants in Freedman's Town, where Allen Parkway Village is located, as well as some of the scattered sites, we're to be given the first opportunity to compete for contracts. We're never given that, in fact, even when we go and try to service as sub under the existing contractor, we are told, no. The tenants and small businesses throughout this process is just a waste of time. The harassment of the Freedman's Town Association, which is a non-profit organization, continues, as well as my being harassed by HUD and having to go in and out of court for ridiculous things. But in Houston, it's like a free for all; if you're not in a little click, well then you're going to get body-slammed. Whether, you know, judges, lawyers or whatever, and that really needs to be investigated. And lastly, the Economic Development Initiative [EDI] Grant and the Edgar M Gregory Project, which is supposed to receive HUD monies, that is not happening. In fact, our EDI Grant, for just

under \$200,000 has been on hold now for nearly four-years, because we want to restore the older school for freed or enslaved African-Americans in the City of Houston. It dates back to 1872 and the City has basically taken some of the money and gone behind our backs and demolished our buildings. But that gets into another issue under Section 106, review under the National Trust, the U.S. Department of the Interior and Preservation, as well as the Endowments for the Arts and the Humanities. I am just really concerned about the disparity reports that are listed in Houston as well as the State of Texas, as it relates to African-American contractors, and we go everywhere, we do everything that needs to be done but nobody cares. You take your resources, your travel here and around the state, you speak, you fly to Washington D.C., and even with that if you're still not a big lobbyist and own lobbyists, you just lobby for your community, so to speak. You're just a concerned taxpayer. But basically, nothing happens and I really hope that this body will be able to produce tangible, progressive results that we can see, and pretty soon, because time is of the essence. And we just cannot continue to be denied due process, as well as our constitutional, human, and civil rights being violated. And we really hope and look forward to this board investigating all of our concerns as spelled out in the handout, because I'm sure all of the applicable departments are aware that you are a volunteer body and that everybody is short-staffed and they can continue to jerk not only us around but other taxpayers around, who just give up and just walk away. But our history is all that we have so we have to continue to fight for it in historic Freedman's Town in Houston, Texas. Thank you.

MR. HUMPHREYS: Ms. House, thank you for your comments today and for your preparation. An initial response to your comments: Where we can represent the small business interest within Feedman Town, the residents of the HUD Projects, as you suggest, I mean, it's a cause that should be taken up. But where contractors, specifically, and small business owners are impacted; not so much the residences but the actual small businesses, that's within our jurisdiction. So what I will do--you've done a great deal of preparation, laying out everything for us in writing, specific to dates, times, places, and presented a strong case for us. So we'll take it into consideration. I can just say that a lot of times there's challenges and there's things that are not done properly. And if small business owners are quiet and as you put it, you know, just kind of get busy and go on, and don't stand up and say something, then it can go on undetected and justice won't be served. Obviously, you're in a position where you're taking time to present, prepare, and make the case stated clearly. So we appreciate that, and I'll respond to that, and take that trust that you've placed in us, and make sure that the federal agencies that are involved with this do hear about your concerns, and that we shepherd this through the process as much as we can, for going forth.

MS. HOUSE: Thank you very much.

MR. HUMPHREYS: Any other comments from...

MALE VOICE: Honestly, I really do appreciate the specific information because I do think that the more specific information that you can provide to us and provide to Nick and his staff, the National Ombudsman's Office, the better that we can address the issues that you've presented to us. I understand some of the things you mention statistically, such as that, that's not the--I mean, we need something a little more specific and hopefully, when we review this we're going to know where to find the information here. So thank you very much for your testimony, Ms. House.

MR. OWENS: Thank you Ms. House. I certainly want to share with our administrator, Steve Preston. He believes that small business contracting is not just an issue of fairness but it's an issue of good business. Small businesses often perform better than a lot of larger businesses, more innovative, more nimble, and often more competitive. In order to help small businesses secure contracts, annually SBA negotiates with federal agencies, which just occurred, and the overall goal being 23%. So any concerns that you may have regarding SBA, specific, "--" who are from SBA, I certainly want you to share those with us, in detail, of any concerns of contractual concerns that you may have, and certainly, the comprehensive review you have with the other agencies; we will be in contact with them as well. Thank you.

MS. HOUSE: Thank you.

MR. HUMPHREYS: As we move through the agenda today I was going to see--do you know if we have any testifiers on the phone, Lucy? We might be able to take care of them.

MS. SALINAS: Is there anyone on line who would like to testify? Thank you.

MR. HUMPHREYS: Okay. Our second testimony this morning is Miguel Ramos, Fernando Guerra. Are they present today? With Footwork. Are they present on line or on the telephone?

MALE VOICE: They just want to read the testimony.

MR. HUMPHREYS: Okay. For the record, we'll go ahead and read their letter, dated January 4th. It says, Dear Ombudsman, our company is currently going through a very difficult time and struggling to stay afloat. We submitted our three-year mandatory Medicare Pre-Enrollment Application on June 19th, 2007, which reportedly was not received. On August 2007, we are informed that Medicare had not received these forms. And on August 13th, 2007, our Medicare provider number was deactivated. We immediately started procedures for the Medicare provider number reactivation that same day. On August 27th, 2007, we were advised that this process would take approximately 60-

days, starting the day that they received the paperwork. Unfortunately, we are already in January 2008, and as of today, we were informed that the Medicare representative, Pamela, was still unable to complete our application. Numerous contacts have been made with the agency to ensure that all necessary information is provided to complete this process. We've been informed that they have a backlog and that all we have to do is wait. Unfortunately, this waiting process is really hurting our company and employees as we have no more financial resources to continue functioning. Footwork is a small business that prides itself in providing services to clients that are not always able to come to our offices. This includes clients that do not have or cannot afford transportation or resources to get around. We provide home visits to cover Maverick, LaSalle, Uvalde, Val Verde, Zavalla, Dimmit, Kenny, Bexar, Blanco, Bandera, Medina, Wilson, Garnez, [phonetic] Gonzalez, Guadalupe, Kendall, Comal, Atascosa, and Webb County. We make home visits to areas that are economically deprived. Our office is located in San Antonio. We have several office branches throughout the South-Texas. The impact of this delay is not only affecting our employees, but also our clients, who are mostly elderly or disabled. We're seeking your assistance, if at all possible, to help us resolve this issue of the extensive delay in this process. We are aware that there are committees that overlook this department and hope that you may have the contacts that may impact our dire situation. Respectfully yours, Miguel Ramos, of Regola [phonetic]. We'll submit this letter into the record. Also, the process of following that up will be commenced through the National Ombudsman's Office and we will provide a response to Mr. Ramos, as it becomes available, hopefully sooner rather than later.

MR. OWENS: We request a response by federal agencies within 30-days. So we're pleased to say that most agencies are more responsive than that, in a matter of 10-14-days. And with Centers for Medicare and Medicaid Services [CMS], we have a good working relationship so we certainly hope to produce results for the small business. Thank you.

CARLY RICHMOND: This is Carly Richmond from CMS and I just wanted to note that we did respond to Footwork just at the end of last week.

MR. HUMPHREYS: Great. Thank you, Carly.

MS. RICHMOND: Thank you.

MALE VOICE: Just as a small business person who has, over the years, had to comply with government regulations and had to engage in a lot of official correspondence with federal government agencies, I would definitely recommend to all of you small business owners out there, any official correspondence, applications, et cetera, that you need to send in or go back and forth between yourself and

federal government agency, please make sure to use certified return receipt mail. That way you have on your side--you have the paper trail. So if someone on the government side claims that, well, we never received it; it got lost, et cetera, et cetera, you've got the trail on your side and you can trace that back and find out who is responsible. But yes, we appreciate the testimony from Footwork and we'll definitely look into it.

MR. HUMPHREYS: It looks like we're back. Ms. House? Would you like to approach the podium? We'll speak on Department of Justice followed by Department of Interior, and you have five-minutes for each section.

MS. HOUSE: Thank you again. The U.S. Department of Justice is not user friendly. The various concerns that we've raised as African-American businesses, as well as just tax-paying citizens, from the U.S. Department of Housing and Urban Development, the Federal Court System, and all other applicable agencies, some of which I've already addressed and will speak on subsequent to this. The result is still the same. We're always told that they are short on staff. I said, but you know, I flew up here to give you the information to cut through the paper chase because time is of the essence. They refuse to let you in the building. Then when you eventually get a security person to hand deliver everything, then you FedEx it, then you follow-up with a phone call, it's still like pulling teeth to get a response. Then they really get very angry with you when you ask for a status report. And that type of nonsense should not be tolerated, especially with the Justice Department. If you are mistreated everywhere else you would think that at least the Justice Department would be there as a safety net, the last line of defense for the consumer, the taxpayer, some glimmer of hope to get the matter resolved. But that is seriously not the case, and by the way, we have done the certified mail; it doesn't help. I mean, we've taken our concerns before the senate committees, applicable committees as well as the house committees, and even our own elected officials, congresspersons, and state representatives. It's like it's a disease that's in the water. If you're an elected official and you drink it, and you get a bad case of amnesia about whose best interest you should be representing. And that's really unfortunate. So this is where we really need to refine the policy and practices, and the actual procedures of the various government agencies that are supposed to police and enforce laws in place to protect the citizens and the small business people. Because asking for the supervisors or the director of the department is just a perpetual circle. No progress, no progress, no progress. And we have just only a minute paper trail that is presented to you but we have boxes and boxes of files at the office that will really concern anyone, any reasonable, prudent thinking individual, that we have made the good faith effort; we continue to make the good faith effort to try and get justice for our community. We all pay taxes but if

we cannot be treated equally or fairly to receive our fair share of our tax dollars or the investment thereof, there's something very wrong with the system and it needs to be corrected. So the Department of Justice and the Federal Court System in Houston, it's very embarrassing to talk about the Houston Federal Court System. It's like no one's going to hold them accountable so they can do what they choose, just as our district attorney did what he chose but now he's going to--the taxpayers and voters have chosen to get him out of office. But it's just a blatant disregard of citizens in Houston, and especially African-American citizens and African-American businesses. And I'm not just trying to paint a picture, you know, white against black, because there are black elected officials who have blood on their hands. So it's just like, I guess, the economic standpoint. You know, the haves against the have nots, and I'm sure it's safe to say that. But the Justice Department really needs to be checked, as we say, to do the right thing for all of the citizens. Now, I would like to talk about the U.S. Department of the Interior. Freedman's Town, my neighborhood, is the oldest community for freed enslaved blacks in the history of Houston; it dates back to 1865. We obtained the largest historic district designation of its kind in the United States when we obtained it for Freedman's Town back in January of 1984. However, when it came time to receive funding to preserve and restore Freedman's Town we were always denied--the National Trust, the Endowment for the Arts, as well as the Humanities, and the U.S. Department of the Interior. Section 106 review is very important; it puts all of the teeth into what makes our historic property, site, person, or whatever, even exist. In other words, you cannot go in and destroy a historic site unless the Section 106 review process is first conducted. But in Houston, they just skip over the 106 process. The City of Houston is guilty as well as Harris County, the State of Texas, Houston Independent School District, in fact Houston Independent School District just built over a black cemetery that had the bodies of the Civil War-- some of the black Civil War soldiers buried there. And despite proof that they were obviously buried there, HIC continued to move forward to just build over it and the Texas Historical Commission did nothing. They did nothing when we tried to stop the City of Houston from demolishing one of the three historic buildings on the Edgar M. Gregory site. And all of these projects receive federal funding, historic preservation, and it's mandatory by law that Section 106 reviews be done, but it's not happening. They are destroying our history, grand scale, and not much is left of Freedman's Town, the historic Freedman's Town, unfortunately, as the result of the federal government enforcement entities just dropping the ball, not having any concern, and that's really unfortunate. When people refer us, oh, go to the Texas Historical Commission, they're just as guilty as the City of Houston. We went to the regional department division as well and while they would uphold our position, still the national would ignore them, as well as the Texas

Historical Commission. So the Section 106 review cannot continue to be ignored. It must be addressed and very soon, 'cause the problem we have in Houston is the lack of enforcement of existing laws. Don't need to create any new laws, but just enforce the existing laws and let us have input. 'Cause too often the federal government will conduct a biased investigation without our knowledge or input, and say, oh, well, it was done. We'd say, well, we weren't allowed to participate, and so they have to do it all over. So it's just a waste of taxpayers' dollars and our time. And it's a disgrace to our ancestors who fought so hard, with little or nothing, to make our neighborhood exist, and independent--they didn't care about getting any federal dollars. Freedman's Town had to pave its own streets and everything, on its own, out of its own pockets, raising money. So it's unfortunate that it's just the opposite happening now and that the government is tearing down and wiping out Freedman's Town, yet, Freedman's Town is not being reimbursed by the government for having done so; removing its historic bricks as well as other infrastructure that is very historic and you cannot really put a price on it. I'm the sixth generation of the planners and developers of Freedman's Town. And after me, I don't think there'll be any more. But we really need your help to look into this matter and we would certainly appreciate some tangible, progressive results.

MR. OWENS: Mr. Chairman, may I make a comment?

MR. HUMPHREYS: Sure.

MR. OWENS: When we speak of issues outside the purview of our office, speaking of course, from a federal perspective, many of the issues that you certainly shared relate to local city government, with Houston, with the State of Texas. So I would encourage you to work with the local city officials as well as your state representatives, your state senators, regarding these concerns. And to seek any legal council that you may feel would be appropriate. From our perspective, any concerns regarding the justice, will be pleased to refer the concerns to HUD, to Interior, to the Justice Department. But please know that as it relates to the concerns with the city and the development issues there, it appears to be a state issue rather than federal.

MS. HOUSE: Excuse me. Point of clarification?

MR. HUMPHREYS: Sure.

MS. HOUSE: In your handout, the U.S. Small Business Administration Regulatory Fairness for Small Business, under the, National Ombudsman Can Help If, category, it states--the first bullet--that you are or represent a small business, small government entity, a population of 50,000 or less, or a small non-profit organization. And Freedman's Town association and the other non-profits also are having problems and needs, or concerns that should be addressed by this body. So if I'm speaking out of context, well maybe they should remove, small non-profit organization, from this handout that you all have.

Because again, federal dollars are being invested in the various projects in Freedman's Town, so there is federal jurisdiction in where the federal agencies are applicable.

MR. HUMPHREYS: And I would just comment. In the information that you provided us, Ms. House, on the Department of Justice issue; I guess the root cause was small businesses going through the bankruptcy process and the way that the bankruptcy courts dealt with some of those small businesses. Is that correct?

MS. HOUSE: In part.

MR. HUMPHREYS: I think that that's helpful for us, as to kind of look back over the information that you've provided. 'Cause as you're speaking you have eloquent points and strong delivery but we've got to look back and see what was the root cause that brought in the involvement with the Department of Justice; that initially began your petitioning Department of Justice, representing those small business concerns. That's where we have a suitable role in assisting. Just kind of going back, as Nick just mentioned, that we've got to go back to the small business concerns. On Department of Interior, I think that there are some issues that would involve this board in what you spoke of. I lived in an historic preservation district with my family for eight-years. In a couple of months we're about to move into an area called, Deep Deuce, which, in Oklahoma City, is the historic African-American, kind of, jazz hub. It's kind of like your South Congress area here. So we're passionate about historic preservation, personally; as a board, that's not what we're about. But if we can make an argument or if you can present a case that's saying, small businesses within this area are being--are losing competitive advantage because of these changes that are happening.

MS. HOUSE: Yes.

MR. HUMPHREYS: And that your organization, as a small business, as an organization, is not getting a fair hearing with the Department of Interiors, then that's something that we can represent and continue to investigate. So we just need to differentiate between the things that we feel passionately and emotionally about, personally, and how this board actually is involved, and just draw that clarification between small business interest and your position as a non-profit.

MS. HOUSE: Yeah. Well, I was told on the phone by SBA to list--and even the form states to list all of the applicable federal agencies. So I was just going on what the form said and I asked for clarification, by--Ms. Salinas? Yeah. So that's why I wanted to present everything so I wouldn't be wasting your time.

MR. HUMPHREYS: No. This is good. This is good. And I know in your position as a community activist, as a spokesperson for a community that's challenged by new development and challenged by

changing landscape, in Houston...

MS. HOUSE: [Unintelligible].

MR. HUMPHREYS: That's right. Well, I'll tell you--you know, Houston is a unique city 'cause it's without any kind of zoning laws.

MS. HOUSE: Correct.

MR. HUMPHREYS: So it's difficult, sometimes, to protect a certain area from certain types of development. Because it's unique in that, like other cities it doesn't go through the same sort of zoning process. Section 106 still needs to be adhered to and we'll investigate that.

MS. HOUSE: Oh, definitely. Thank you very much.

MR. HUMPHREYS: All right. Our next speaker, again giving testimony is Cloteal Davis Haynes. Did I pronounce your name right?

MS. HAYNES: You did. I'm going to give you a gold star.

MR. HUMPHREYS: Good. I try. Ms. Haynes, you're with Haynes, Eaglin, and Waters? You'll be speaking on your testimony regarding the U.S. Small Business Administration.

MS. HAYNES: Yeah. And I won't take anywhere close to five-minutes. But I appreciate the opportunity to be here. My firm, Haynes, Eaglin, and Waters is an 8-A Certified Disadvantaged Small Business. As part of my annual review, I must submit financial statements. It is my understanding that audited financials are required if annual growth revenues exceed five million. I further understand that 8-A firms can request the one-time waiver of this requirement. Although the one-time waiver is helpful, I believe that the \$5 million annual gross revenue threshold is too low, particularly for constructions firms. The expense of audited financials, which can be anywhere from 15,000 to 50,000 and up, is punitive to many small businesses and poses and undue financial burden on these firms. This requirement may actually serve as a deterrent to firms to grow beyond the \$5 million annual limit. My recommendation is that the SBA review the impact of the current limit on all small businesses participating in the 8-A program and establish audit thresholds by industry. Audit requirements should bear some relationship to the size limits of a firm's primary North American Industry Classification Code [NAICS]. For example, the size standard for general contractors like my firm, my code is 236220, is \$31 million annually. The current limit of \$5 million represents 16% of that amount. In my opinion an audit should not be required unless annual gross revenues exceed one-third to one-half of the size standard for that company's primary NAICS Code, or 10.3 to 5.5 million annually for general contractors. Thank you.

MR. HUMPHREYS: Thank you for your comments today

and for your succinct and--not just coming up with a problem, but also offering a solution for us to consider. I appreciate your comments today.

MR. OWENS: Thank you. And this issue is timely. I will soon have a roundtable back in Washington on government contracting and issue such a size standard. So I appreciate this and will discuss with leadership. There's new leadership of the Office of Government Contracting and Business Development and I know she would appreciate this. Thank you.

MR. HUMPHREYS: We have two more speakers on the agenda today. Is Roberto Lopez here? Mr. Lopez, if you'll approach the podium. I don't have the federal agency that you're going to speak regarding.

MR. LOPEZ: Sir, the agency that I'm talking about, it's FORSCOM, Forces Command, which is a major subordinate command for the United States Army. Okay, sir? Sir, my name's Roberto Lopez. I am the president of the C-4 Systems Integration Services. I am an 8-A company. It is my understanding that Forces Command, that are known as FORSCOM, a large major subordinate command with the United States Army, recently directed that information technology and other contract positions in FORSCOM organizations be converted from contract to temporary GS positions. While not an army-wide directive, FORSCOM is responsible for more than 750,000 active Army, Army National Guard, and Army Reserve soldiers, nationwide. And the significance of the directive is far-reaching and its impact is great. This directive has created an unintentional and immediate negative impact on a number of small and small disadvantaged businesses, their employees and families. This directive has, in essence, eliminated small business, and in small disadvantaged business, set-aside opportunities in the IT and other fields at FORSCOM installations. The immediate impact on my business has been three-fold. No. 1: I lost the business opportunities to provide quality services at a fair and reasonable price, as the government declined to exercise the option years on all of my contracts. The contract IT positions that I lost are now being filled by my prior employees, as temporary GS positions. These employees lost their holiday, vacation, health benefits, that were being provided by my company. No. 3: Some of the government customers chose not to fill the webmaster positions, as one of the positions I used to fill, or was asked to support with either a temporary GS position employee or a contractor. The websites are very small and require only minimal work to maintain. For them to have a fulltime employee would be a waste of funds, and left the organizations without an adequate means to update and maintain a critical information link to the families of deployed soldiers. The failure to support a webmaster position as well as other IT positions has forced the FORSCOM organization's subordinates to the FORSCOM to seek alternative

solutions to meet the mission. This has created a situation that circumvents the spirit of competition and fair trade practices. Local organizations in Fort Hood has solicited support from the Fort Hood Directive of Information Management, better known as DIOM. The DIOM falls under United States Army Major Subordinate Command, which is to FORSCOM. The DIOM is therefore independent and exempt from the FORSCOM directive to advance the use of contract IT support personnel. The end result is alienation of the fair trade practices and the small business opportunities. As small businesses have faithfully supported FORSCOM and its supporting organizations in the global war on terror, these practices and directives while they may be or may not be short-term, they are rapidly leading to a failure of small and small disadvantaged businesses, to include my own. These business failures will leave the Department of Defense totally reliant on large defense contractors and result in higher-priced service. The impacts of the directives are not relegated to small businesses alone; they also impact employees. The creation of the temporary GS position opportunities, without benefits, could have devastating effects on the employees and their families. I am a 23-year retired veteran with a service-related disability, who faithfully served our nation in the United States Army. With the assistance of the Small Business Administration, my life savings, and a significant amount of hard work, I established C-4 Systems Integration Services. My company is SBA certified as a Service Disabled Veteran 8-A, Small Disadvantaged Business. I have been in business for a little over 4-years and now, three-years into the eight-year program; C-4 is a successful single leader enterprise, dedicated to meet the Fort Hood Information Technology Service requirements. It is my belief that the current directive negates my SBA sanctioned, 8-A business opportunities. The FORSCOM directive has, in effect, put me out of business. The directive prevents the execution of option years on any of my three contracts and eliminates the opportunities to put out bids on any IT focused opportunities by FORSCOM organizations. In closing, I would like to thank you for giving me the opportunity to address the board and for your time and assistance in helping me resolve this matter. I will ask that through your help and cooperation that we ensure that the FORSCOM changes their directive and gives the opportunity back to the contractor to fulfill his contracts to his full ability, to include the option years. With this, I thank you very much for listening to me.

MR. HUMPHREYS: I thank you for your comments, Mr. Lopez. And we thank you for your service to our country.

MR. LOPEZ: Thank you, sir.

MR. HUMPHREYS: And our last speaker with us today--Ms. House has some additional comments on the U.S. Department of Transportation. And as Ms. House is approaching the podium, I'd like to ask if there's any other small business owners, after her, who

might wish to provide comment? We've got one more? Two more present? Right. Have your comments been provided in writing, to the SBA, or are you just approaching to make comments today? Okay. We'll hear you after Ms. House's comments on the DOT.

MS. HOUSE: Okay. On the U.S. Department of Transportation, we continue to have, as small business projects, two projects that have been ongoing; one since 1995. One is the reactivation of the Freedman's Town Trolley Project, and yet, we're running into roadblocks, no pun intended, with the issue of implementing our project. Here again, we have the government intervening and trying to just stalemate and delay, and delay, until there's really nothing left. And this project started out at just under \$1 million but as a small business and with small subs, we have just--we have to find something else until the politics or the injustices are addressed and corrected. Then there's another issue with the unlawful changing of the traffic signs along the same project. So it's, like, twofold; we try to reinvest into the community through non-profit organizations, while being a good small business. So if the non-profits are being stalemated on one hand--and we're trying to move forward--then sometimes it's just the opposite. So we still need the investigation on the part of the U.S. Department of Transportation regarding the Freedman's Town Trolley Project and the unlawful changing of the traffic signs in the community, without the input or the knowledge of the residents in our small business. And that's really against local city ordinances, as well as state and federal laws. And I stated earlier, the Civil Rights Division of the U.S. Department of Transportation had conducted an investigation but closed it without even hearing our side. So that's when I had to go to D.C. and state that they need to be fair about it and not deny our due process. And at that point, that's when they reopened the case 'cause they thought our side had been given an opportunity. So it's just really amazing how a municipality can just say it's so, when it's not, and the federal government will go along with it. But when the tax-paying citizen, the everyday citizen, says wait a minute, I have my story to tell but nobody wants to believe us and we're the ones who filed the complaint and brought it. So we really need to have your body, this board, to look into this matter and I really hope that you won't just let the federal government tell you anything, too, and just think that, well, you know, everything has been done or resolved. But it's not and the injustice still exists; our trolley project is frozen; the traffic signs remain changed, which should have never been changed, and causes an imposition to the community in the whole way of the flow of our trolley project. So we're losing money and the community is again losing history. So we really would appreciate your investigating it as well.

MR. HUMPHREYS: Ms. House, I appreciate your comments on this as well. As a point of clarification, we go to bat for things that we

can go to bat for, right? And I'm going to help you out where we can help you out. I'm trying to see the connection between this. Was this in DOT right-of-way, or is it federal dollars that are going into the trolley project? Or is it City of Houston...

MS. HOUSE: No. It's all the above; the federal as well as TexDOT, from the Ice Tea [phonetic] Program and it's a three-party project. It started, of course, with the Freedman's Town Association, Metropolitan Transit Authority, and TexDOT. But later on, the City of Houston invited itself into the project. We didn't ask but they, you know--and it's been a headache to everybody; TexDOT, us, of course, as well as the U.S. Department of Transportation.

MR. HUMPHREYS: Well, you know, the city and local municipal controls are always going to have to be coordinated into that equation, you know. Freedman's Town Association can't work directly with U.S. DOT in pulling this stuff together. There's got to be that collaboration coordination with local powers.

MS. HOUSE: Yeah. We keep trying to collaborate but when they don't tell you about the meetings and exclude you out of the whole process of your project; it's kind of hard to collaborate.

MR. HUMPHREYS: I'm with you. All right. Well thank you for your comments on this.

MS. HOUSE: Thank you.

MR. HUMPHREYS: And Pam, I think we have an introduction of a city council person who has arrived.

MS. SAPIA: Yes. We have Councilmember, Jennifer Kim, who just came in.

MS. KIM: Good morning, and thank you for coming to our city hall to get input from small business community, here, on regulatory fairness and the other services that the Small Business Administration provides to our community. And I really appreciate your work in our community and reaching out to the many people who are small business owners and operate them here. Just a couple of things I wanted to mention. First of all that we have a similar service for our city. Rosie Jalifi is here; she's with the Department of Small Business and Business Resources. I was able to add to our budget a type of ombudsman assistance personnel to be able to troubleshoot things such as when they can get a certificate of occupancy, things that have to do with our regulations, so I just encourage you if you have any kind of cases that involve local issues or local jurisdiction, to please contact our office, because we are here to help all our small business in being able to find resources as well as to troubleshoot anything that may come up in the course of their business operations. I also wanted to mention to you that our Asian-American community is a fast-growing community in the Central Texas area. A lot of Asian-Americans own and operate

businesses. They may not be aware of the services at SBA; however, that doesn't mean that they're not interested or that they don't need help. They just don't know about the resources and the system, necessarily, so I just ask that you, in your outreach, contact the Asian-American Chambers and also appoint people that are of Asian-American descent in the small business community, to advisory panels, to any committees that you may have, or focus groups. Because that's how you get the word out, is through that network of small businesses, from hotel/motel operators to convenience store operators, to those that own construction companies or engineering architecture firms. They all have their own networks, individually, so sometimes it can be quite confusing but they do still need your assistance from time to time. And my last point is having to do with TexDOT and the Texas Department of Transportation. We are faced with severe cuts in our budgets from TexDot. A lot of companies that are Disadvantaged Business Enterprises [DBEs] as well as small businesses and women-owned businesses, are faced with financial problems because of these cuts. They are federal highway dollars that are allocated to our region through TexDot and I know that there are concerns about prompt pay, about whether or not that work will be forthcoming, because they do have to hire engineers and the support staff in their offices, for this work that was committed to them when they were awarded the work. However, because of the severe cuts in this, they are very nervous about the situation and are not sure if they have to lay off people or what their financial picture is going to look like for this year. So I would ask that if it's possible to find a way to coordinate with the Federal Highway Administration and TexDot, the Austin District, to be able to convene the subs and the primes who are faced with the situation and to maybe hold a meeting, a town hall meeting with them, and to talk about the financial situation and what can they expect, and what can they not expect. Because I think the earlier they have this information, the more useful it'll be to them, because they have families that they support, there are a lot of people who are trying to determine what to do next in terms of their business as well as their employment situation right now. So I'd just ask that you'd do that and I'd be willing to help you with that, to convene such a meeting with the Federal Highway Administration. It's something that they're calling Black Christmas, that the announcement of these cuts came around Christmas time. People are very nervous and they are very scared. And so I would like to ask for your help in that regard. Thank you very much.

MR. OWENS: Councilwoman Kim, thank you, first of all for allowing us to be here in Austin for this forum for small businesses. It's a terrific model, what you're doing for the ombudsman function for the local small businesses. One thing that we're doing--an initiative of ours is to create a model legislation through executive order processes for governors for local and state governments as it relates to ombudsman activities. So it's a model here in Austin, so we'll

certainly reach out to you. In regard to that meeting, we'll certainly work to facilitate such a meeting. Issue of prompt payment is an issue for small businesses, especially whenever they're a subcontractor to a prime and the prime hasn't paid the sub, so I'm very familiar with those issues. I want to learn more about what's happening here and how we can be helpful. Thank you.

MR. HUMPHREYS: We have another person providing testimony? Carol Hadnot? Had no or had not?

MS. HADNOT: Had not.

MR. HUMPHREYS: Had not. Thank you for being with us, Ms. Hadnot.

MS. HADNOT: Thank you very much, for allowing me to speak. I really didn't know that you were having this hearing today. But I'm glad I did find out, after all. My name's Carol Hadnot, I am the Program Manager Consultant for the Austin Black Contractors' Association, here in Austin, Texas as well, as an owner of a small consulting business where we do business and economic development and also small and minority business consulting. I'm really glad I got here. One of the things I wanted to talk about was capacity building. The African-American Construction Community, not only in Austin, Texas, but nationwide, is almost becoming extinct. We will be the dinosaurs if we don't get some quick relief. And one of the issues we have is capacity building, and the SBA used to be a source we could use. Back in the day, there used to be a lot of activity from the Small Business Administration regarding construction contractors, regarding bonding, and revolving lines of credit. I don't hear very much talk about that anymore but I do think that there needs to be some stepping up on that issue, as well as, we really need someone here in Austin, Texas. Austin, Texas is a big city and we have to truck down to San Antonio, or our constituents have to truck down there to do business. I think we are large enough to have someone here in Austin; we used to have someone at the Federal Building that would come in two or three times a wee, but that was back in the day. So today, we need for you all to consider putting someone here that people can come, and with the increase of fuel, especially gasoline, the travel is just not conducive anymore and we need someone here locally. The other thing is the processing time. I know that people say, you know, you've got to all this paperwork to be efficient and to have good customer service. I mean, you really need to go back and look at all those forms. My God, the forms and the forms that you all have. And I know you talked about reduction in paperwork but there needs to be some more reduction in paperwork regarding applications, because a small business person, especially in the construction industry, most likely that person is out there trying to do the job as well as to try to manage his business. So I hope you take that into consideration as well as the small-size standard. I'm glad that you're convening this roundtable

to talk about that. I just cannot conceive in my mind how a \$31 million gross revenue can be considered as a small business. I mean, my God, I don't even know any of our contractors making 31 million, but hopefully, maybe. And then specialty trades; most of our guys are specialty trades. They're really not GCs because of the bonding and the inability to get bonding to build at capacity. So there needs to be some other things. And I know you talk about net worth and liquidity and all those kinds of things but there needs to be some other things considered--and don't ask me what, at this point--need to be considered in terms of capacity building. Maybe a track record of being just a good businessperson; a lot of times, you know, you don't have too bad of a credit rating but if you're in business that's kind of hard to escape. And then the other--and then I did see Mr. Preston this morning, on CSPAN. You're head of the Small Business Administration. Yeah. I saw him this morning. But anyway.

MR. OWENS: He's the head of SBA; it was today.

MS. HADNOT: Yeah. He's the head of SBA, yeah, right. The other thing I wanted to talk about was three agencies. Well, I talked about SBA; the other one is HUD. A lot of our organizations, some non-profits as well, is government and the other municipalities, they receive funds from HUD but they don't monitor. I mean, they don't make sure that people can participate in those, especially in the construction industry. When they have projects, they take our guys through a whole bunch of, just--I don't want to say the word, crap, but that's what it is, is crap, and a lot of that. And they miss out on a great opportunity; especially in those areas where there doing developments with federal dollars, and people that live in that community don't see any people who look like them, doing the work in those communities. So there needs to be some oversight and some monitoring. And one more thing, Department of Transportation, and I'll sit. The SH-130 Project, we went almost to the governor's office trying to get our participation in that for our contractors. I mean, two of our contractors were the low bidders on those projects, but these guys from Canada and God knows where else, they kept us out of that opportunity. So TexDot has some serious issues and the Federal Transportation Department. Because there's no oversight, nobody who will really take the time to monitor, to make sure that those DBE goals are met. So I appreciate your time and I do know that we have four people in our association who are 8-A Certified and they all have contracts. So we do appreciate that. Thank you.

MS. SAPIA: Thank you Ms. Hadnot. I'd like to address what SBA, our local office, is doing here in Austin. You're right. We did have an office here many years ago; it was a branch office. Budget cuts with the government came around and we had to close that office down. We do have a representative that comes out to Austin several times a month. Her name is Debra Dimendo [phonetic]. She's our

marketing representative. As far as the 8-A person, a government-contracting person that covers this area, that is Fernando Guerra. You can reach them by calling our main number at (210)403-5900. And if you have something specific that you would like us to come out and do, please give them a call. We come out and work with the city, we work with our resource partners of the Small Business Development Center [SBDC]; they have an office here. Their main office is in San Marcos and they have another office in Round Rock, as well as our SCORE office is represented here in Austin. And they provide free confidential counseling. If you have not taken them up on their services, you really need to. They have a wealth of information. Mr. Hash is here; he is with the SBDC. Mr. Pete Carvell is here with SCORE. He's sitting up here at the front. So please let us know how we can assist you and your organization and we'll be glad to come here to Austin. We are in the process of trying to work on getting what we call an alternate work site, here in Austin, because we do know it's a very large city and I, personally, as a district director would like to have an SBA representative here on a day-to-day basis; it just has not happened yet.

MR. HUMPHREYS: Thank you, Ms. Hadnot.

MS. JALIFI: Mr. Chair, may I just add a little bit to that, 'cause this hearing will be aired on Channel Six, the Axis Station, later on. And so for our viewing audience, if they would like to get additional information on programs that we, the City of Austin, co-hosts with SBA, as you mentioned Pam, they come monthly. We have a regular schedule. They can call our office at 974-7800, and we will be happy to provide that schedule of the next time that SBA will be in town. And Carol, I'll work with you and maybe we can do something specifically with the Black Contractors' Association; I'd be happy to do that.

MR. HUMPHREYS: Thank you. I have three additional presenters before we conclude. Mr. Robert Marquis, approach the podium, with ISF Security Group in Richardson, Texas. Thank you for coming, sir.

MR. MARQUIS: Yeah. Thanks for your time. It's Marquis. That's okay. It's like the Mercury Marquis; if I'm talking to the ladies, it's the Diamond Marquis, and everybody relates. Anyway, thanks for your time. I am from Richardson. My company name is Ameritex Guard Services, a Division of ISF Security Group. All I'm here to do is second what Ms. Davis Haynes had talked about in reference to the threshold for the audited financials. Yes, that's very costly to get it done but nobody's got the clock running on assembling all of the material in order to get through the audit, and that's a tremendous amount of time. So I'll second her motion. The limits do need to be increased by next code and that's all I've got to say, quite frankly. I came down here with the purpose of just observing, but I figured there's a good item to jump on and I'll back with her. That's all I have. 25

Thank you.

MR. OWENS: Thank you, Mr. Marquis. I would like to add, on the issue of size standards, the SBA is undergoing a comprehensive review of all size standards for small business. So there will be further developments in that area later in the year.

MR. MARQUIS: Well, let me say this, too. My procurement representative, with the SBA in Dallas, is Eugene Allan, [phonetic] and he helps me all the time. All I have to do is pick up the phone and talk with him and he will help me. And right now, I think we're in our first request for extension of the annual report, and that's quite voluminous also. But they work with us in Dallas and I guess I'd better give that a little plug, too, 'cause I'm quite pleased with them. Not at the paperwork, but I am pleased with them. Thanks a lot.

MR. HUMPHREYS: I think paperwork is something that's a necessary evil at times, but we'll try to decrease it as much as possible. On the reporting standards, it's those adjusting thresholds and I don't know when they were last adjusted. But if there's not an annual bump that takes into price, Customer Price Index [CPI] adjustments and such, and specific industry analysis, then you're spending more time working in your business than actually working on your business and growing your business. Next, we have Amalia Mendoza-Brown, with the Baird Mechanical Contractors. Appreciate you coming this morning. Thank you.

MS. MENDOZA-BROWN: Good morning. I just wanted to stop buy and say a couple of things. One of the things that I wanted to mention is the NAICS Codes. When you're trying to certify as a small minority business, sometimes the size standards are different for every company. As a company, we've had to diversify our offerings to our customers because of the fact that, otherwise, we were going to go under. I mean, in 2004 we decided, okay, the mechanical industry is not working for us, so we had to. But in order for us to certify as an 8-A or an SDB, we need to use the NAICS Codes that are used on our tax forms. Well, we never changed to say that we were a general contractor, 'cause that's a lot of the work that we're doing now and that we're actually a manufacturer as well, because we do a lot of our valves ourselves, and stuff, and we've got a clean room to do it and we also have a dirty shop to do it. How do you get that into the certification if you're only taking one NAICS Code, is my point.

MS. SAPIA: Are you talking about, to be certified as a small business, just in general?

MS. MENDOZA-BROWN: In general, you use one code.

MS. SAPIA: Okay. Right. That's what SBA looks at to make that determination. It's whatever the majority of your business is in and that will determine what that code is.

MS. MENDOZA-BROWN: Is that based on your tax forms?

MS. SAPIA: It is based on what the majority of your business is. If you are a mechanical contractor and you have contracts that deal with mechanical contracting, and that is 100% of your income, then you would be a mechanical contractor. Now you can have secondary NAICS Codes. You can have your primary and then you can have as many secondaries as you wish. But what SBA is going to first look at is what is your primary source of income, and that determines what that code would be.

MS. MENDOZA-BROWN: So based on what--okay. All right. Thank you.

MR. HUMPHREYS: I think we'd also reference--are you here in Austin, Amalia?

MS. MENDOZA-BROWN: We have an office here and in Dallas.

MR. HUMPHREYS: In Dallas. Okay. We'd suggest connecting with your local SBA Representative to help further answer those questions and walk you through the process. Our last presenter today is Gary Glover, with Minorityhiringplace.Com. Mr. Glover, out of Houston, Texas. Glad to have you with us this morning.

MR. GLOVER: Yes. Greetings. It's still morning. Good morning, everyone. My name is Gary Glover, Vice-President of Minorityhiringplace.Com., and we're a national diversity recruitment, as well as job board. In addition to that, we also do database development. The first issue that we have, that I would like to discuss is the Central Contractor Registration [CCR] process. My company has been in existence since 2006. It took us nine-months to get our CCR completed, from start to finish. Then once it was completed, it took another 60-days to correct it because when they entered our name into the database, they entered it wrong, misspelled it. So we missed out on several opportunities in that case. So what I would suggest is we have someone to more or less police and re-police, and check and verify, when a company is being inputted into the system, and verify that it matches correctly. Because the reason why it affected us is because we had our local prime contractors trying to locate us but they couldn't locate us because our CCR Code was put in incorrectly; that was the first thing. And the other thing is an issue that I'm pretty sure every small business, as well as the government agencies, can relate to, and that is a known problem that a lot of agencies are offering, and provide, very good support and assistance to various small businesses. However, a lot of the agencies overlap and they don't exactly communicate. And one of the things that--that's another thing--you all are doing the best job you all can, but just like when Homeland Security had to be created because the FBI and the CIA didn't work, so my company came up with something to interconnect you and I

would like to bring it to your attention as well. We established what is called the National Contractors' Academy, and it's at www.nationalcontractors.org. And it is a consortium in which we can get all agencies--and this is what I'm proposing to bring up and establish for the federal as well as state, city, and local. I've already spoken with several people at the state level in the State of Texas and we're headquartered out of Florida. We're doing the same thing in Florida, at the same time, and we're going to spread. But the main thing, what we're trying to establish, is to assist small businesses such as my own, as well as others, in establishing, starting up; from doing needs assessments to providing opportunities and resources, and avenues to where they can find bidding sources, bonding, certifications, and everything else. Because a lot of the agencies and small businesses don't know what the qualifications are to bid on future government projects, via state, local, or federal. So what we have developed is that process. And I would like for each one of you to take a look at it, on your own time and place, and see what--it's a very valuable source. So when it comes up you would know that you heard it here first. And I thank you for the opportunity to speak. Thank you. You all have a nice day.

MR. HUMPHREYS: That's nationalcontractors.com?

MR. GLOVER: Nationalcontractorsacademy. I'll give you a card.

MR. HUMPHREYS: All right. Thank you, Mr. Glover. Well, that concludes our testimonies this morning. I'd like to have some closing comments from District Director, Pamela Sapia.

MS. SAPIA: I wanted to thank everyone for coming and sharing their testimonies with us today. I want to thank Mr. Owens, Mr. Humphreys, and Mr. Grant for coming and joining us today. And please be reassured that they will take your concerns, they will take them back and work on them. But be mindful that they work at a federal level. Okay. Maybe you might want to reiterate that.

MR. OWENS: Certainly. Thank you. Thank you again. And thank you all. I know time's a precious commodity and you have many places you could be, but you're certainly passionate about your issues, and concerned, and we thank you for coming today. We will follow-up with each issue addressed today. It may not, again, be within our purview but we'll do what we can do to get you to the right area, open dialogue and facilitate some communication. So again, thank you all and it's great to be in Austin. We look forward to working with the City and we certainly appreciate again, the City of Austin for allowing us to permit this hearing here. Thank you.

MS. SAPIA: Thank you so much. Lucy, will there be an informal roundtable here? Okay. If there's anyone that would like to stay and discuss anything further, you're more than welcome to.

Thank you so much for joining us today.

[END TAPE 1 SIDE A]